

Remuneration report



On behalf of the board, I am pleased to present the remuneration report for the year ended September 2024, which sets out how we have implemented the remuneration policy that was approved by shareholders at the AGM in February 2024. The information provided in this report has been approved by the board as per the recommendation of the Human Resources and Compensation Committee.

Mike Fallon (*Chairman of the Human Resources and Compensation Committee*)

The main sections of the report are as follows:



Section
A

Voting and governance

Section
B

Key functions of the Human Resources and Compensation Committee

Section
C

Overview of the remuneration policy

Section
D

Remuneration implementation report

Our report and disclosures fully comply with regulatory and statutory provisions relating to remuneration governance in all the countries in which we operate. This report is aligned with the principles and recommended practices of the King Report on Corporate Governance (King IV).

The year 2024 – business environment and our remuneration context

The previous financial year was characterised by significant macroeconomic volatility, higher interest rates and low consumer confidence, which had significant impact on market demand; the post-pandemic boom had led to significant overstocking in the supply chains and forecast demand was low. In 2024, market demand for paper remained subdued, although market conditions for dissolving wood pulp improved.

It has been a year of significant rationalisation and transformation; the closure of two European sites, Lanaken and Stockstadt Mills, conversion and expansion of the Somerset Mill plant and stabilisation at Saiccor Mill following the recent expansion project. The investment in North America and South Africa are aligned with Sappi's long-term strategy to drive lower costs and capacity in graphic papers and enable growth in both packaging papers and dissolving wood pulp. Success of these large capital projects; to gain additional revenue in the growing markets of dissolving wood pulp and packaging, and the ability to retain existing graphic papers sales volumes within the post-closure mill footprint were vitally important in 2024.

The board therefore set the short-term incentive targets to drive a number of objectives to ensure the successful execution and implementation of this transformation to secure future benefits, including:

- Improved safety performance for all the regions
- Disciplined cost management
- Closure of Lanaken and Stockstadt Mills followed by the successful carouselling of sales volumes to remaining mills

- Significant lower Sappi Europe (SEU) overhead costs
- Smooth management of industrial relations
- On-time project delivery of the Somerset Mill expansion project. This is the largest capital project in the history of Sappi (US\$420 million). Development of detailed production and product ramp-up plans for the Somerset Mill machine conversion are in progress.

The board is pleased to report success in these transformation programmes. Detailed remuneration outcomes are set out in **section D** on page 194.

Health and safety

All three regions continued to deliver improved safety performances. Both SEU and SNA achieved their best safety performance for 2024. Unfortunately, SSA had a contractor fatality in Forestry. Details can be found on page 74 of this report. The commitment of the group is always to put safety first and management will continue with their drive to further improve safety performance across all regions.

2024 committee work plan

Implemented sustainability measure for the long-term incentive plan

The committee's focus for 2024 was to finalise the details of our sustainability measure for inclusion in our long-term incentive plan (LTIP). This measure is based on our validated science-based decarbonisation pathway and will account for 10% of the overall measures. Sappi Limited has committed to reduce Scope 1 and Scope 2 greenhouse gases (GHG) emissions by a significant 41.5% per ton of product by 2030, using 2019 as base year. This target has been validated by the Science Based Targets initiative (SBTi) and is now

included in the LTIP and details can be found on pages 190 and 191 of this report. All the consultations and communication with participating employees have been successfully concluded.

Designing the future long and short-term incentive plans measures

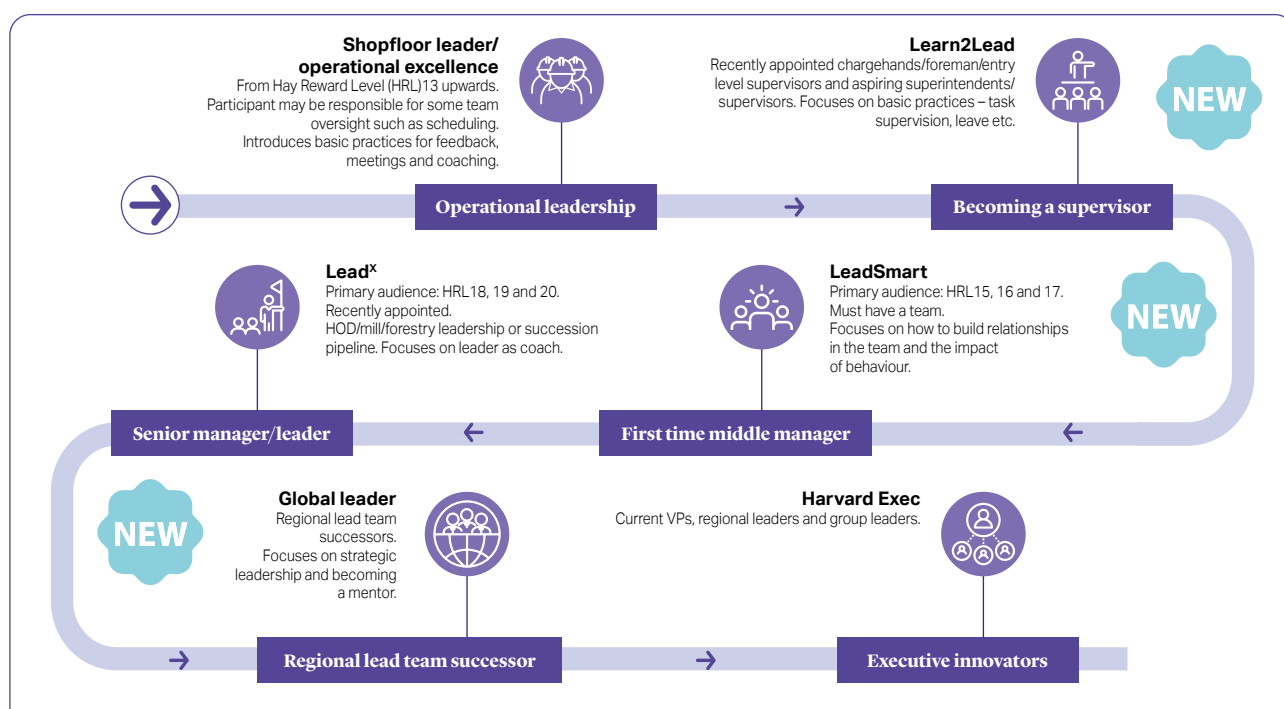
After consultations with shareholders in 2023 and 2024, Sappi has embarked on a process to modify existing LTIPs and measures. The focus of the change was to limit the complex plans to fewer executives that have a greater influence on the performance of the company. The result will be a PSP scheme with fewer participants and more relevant measures. ROCE will be removed from the short-term incentive plan and be introduced as a long-term measure. We view ROCE as appropriate for the long-term incentive and will be measured against weighted average cost of capital (WACC). These changes will further contribute to the alignment of shareholders and executives.

Parallel to this scheme, the Sappi Management Plan will be introduced to a broader employee base to the levels below that of the PSP participants. This will be simplistic and can serve as an effective retention tool for Sappi. Further details are provided on page 190 of this report.

The executive bonus scheme has been discontinued from October 2024.

Training and development

The Sappi Leadership Journey, as set out in the infographic below, is now completed. The Global Leadership programme was launched with key talent from all regions in September 2024.



Remuneration report continued

Talent management

The talent management and succession process are now fully embedded in all regions with the consistency of data and reviews.



Executive capacity building

During the reporting period Graeme Wild was appointed as CEO of Sappi Southern Africa. He succeeds Alex Thiel who will only retire from Sappi in December 2025. Alex will remain a key member of the team and will be contributing to the successful implementation of the **Thrive** strategy. All other senior management changes that took place in 2023 and 2024 have now been bedded down. Carefully planned succession is bearing fruit as evidenced by the smooth business transition and the continued high performance of the various teams.

Several key retirements will take place between now and 2030. The committee is working with management to ensure smooth management transitions over the next few years.

Personal development opportunities for all employees remain a key focus area with particular attention given to technical development in operations and engineering. Targeted development for high-potential employees, using role-specific competency assessments, has significantly improved the bench strength of candidates who are ready to step into other roles. Leadership capacity building at three levels (head of department, managers and supervisors) also gained significant traction with satisfactory progress on all our leadership programmes. This is a key focus for the committee.

As testimony to the key development initiatives that have been taking place over the last few years, Sappi was recognised as follows:

Time Magazine, once a year rates the top 1,000 companies globally. For 2024, Sappi attained position 623 and was one

of only four South African companies, and the only one in our sector. The ranking involved public information and no input from Sappi. The formula used included employee satisfaction surveys, revenue growth and ESG data.

Forbes Magazine: Forbes, in partnership with market research firm Statista, surveyed more than 300,000 employees in over 50 countries who work for multinational corporate groups that employ more than 1,000 workers and operate in at least two of the six continental regions of the world. This was done to determine the World's Best Companies for 2024. They placed Sappi 483 out of 850 companies with only 10 companies from South Africa and 13 from Africa.

In addition, **Forbes Magazine** – in a separate award, placed Sappi seventh in the World's Top Companies for Women 2024. We are very proud that we are one of the top companies among all these global and iconic companies, particularly as a manufacturer.

Continued strengthening of our Non-executive Director team

The Nomination and Governance Committee reviews the composition of the board three times per annum, considering size, skills, independence, tenure, experience/expertise, diversity and the overall mix of the board. The board Chairman and the Lead Independent Director also have individual consultations with board members regarding their performance. Every second year there is an independent evaluation of the board, the sub-committees and individual member effectiveness. These evaluations get discussed by the board and action plans are prepared and tracked.

Sappi's approach to and process for the appointment of Non-executive Directors is based on criteria which look at the diversity of tenure, race, gender, geographical location and expertise. We are committed to ensuring that our board composition will continue to reflect the benefits of our rigorous Non-executive Director succession planning.

The appointment of the board Chairman, Mr Nkululeko Sowazi has been concluded as well as changes to the composition on the board sub-committees. Mr Louis von Zeuner and Mr Jim Lopez have been appointed to the Human Resources and Compensation Committee. Mr Mohammed Valli Moosa will retire from the board on 31 December 2024. Mr von Zeuner will be appointed as Chairman of the Human Resources and Compensation Committee from 01 January 2025. I will remain as a member of this committee in addition to the role of Lead Independent Director until retirement in February 2027.

The following changes have also been made:

- Zola Malinga – appointed to the Nomination and Governance Committee
- Brian Beamish – appointed as Chairman of the Social, Ethics, Transformation and Sustainability (SETS) Committee
- Eleni Istavridis – appointed to the SETS Committee.

Conversations with our shareholders

Both our remuneration policy and implementation report received the prerequisite shareholder approval at the February 2024 AGM. Despite there being no mandatory requirement to do so, and as part of our good governance process, we met with key shareholders in August 2024 to seek their guidance and input on strategic remuneration issues. We were encouraged by the level of engagement and the guidance provided to ensure that Sappi's remuneration policy and implementation report remain robust. Key issues discussed during these engagements were changes to the long and short-term incentive plans, ie:

- Adding sustainability to our PSP measures, ie 41.5% reduction of GHG emissions per ton by 2030. This measure will be against our SBTi targets as approved in 2022
- Introducing the Sappi Management Plan for employees below executive levels
- Anticipated changes to the current PSP scheme, which included limiting the number of participants and introducing ROCE as an additional measure
- Discontinuation of the executive bonus scheme
- Update on Non-executive Director succession.

Full details are disclosed on pages  190 and 191 of this report.

We value the input from our shareholders and will continue to seek input to ensure improved disclosures.

Compliance statement

The Human Resources and Compensation Committee is committed to maintaining high standards of corporate governance and supports and applies the principles of good governance advocated by King IV. Our remuneration approach and disclosures fully comply with regulatory and statutory provisions relating to reward governance in all the countries in which we operate. The committee ensures compliance with legal and regulatory requirements concerning compensation.

The Human Resources and Compensation Committee is of the view that the objectives stated in the remuneration policy have been achieved for the period under review. The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference and with the status of remuneration and incentives in the group.

The new Company's Act was signed into law on 26 July 2024 and has made some specific recommendations regarding the remuneration report. As this report is for the period 01 October 2023 to 29 September 2024, all the changes as recommended will be incorporated into our 2025 report. This will form part of the committee's 2025 workplan.

Conclusion

Our remuneration policy is benchmarked continuously against the relevant industry peers to ensure competitive reward. It motivates our senior team to achieve the group's objectives, deliver sustainable returns, and value creation for our shareholders. I would like to thank our shareholders for the strong support given at the last AGM and during our visits in August 2024 for our remuneration policy and implementation report. The committee believes that the remuneration of executives during 2024 reflects our challenges and successes to date in the delivery of our strategy.

As detailed earlier, this becomes my last remuneration report as I will hand over the chairmanship to Mr Louis von Zeuner. Louis brings a wealth of knowledge and experience in this field, and I'm very pleased to be able to help and support him during this handover.

It has been both a learning experience and pleasure to serve as Chairman of this committee. I have appreciated the guidance and advice of shareholders over the recent years, particularly in our face-to-face discussions in July 2022, September 2023 and August 2024.

I will also be available to answer any questions which you may have at the February 2025 annual general meeting.

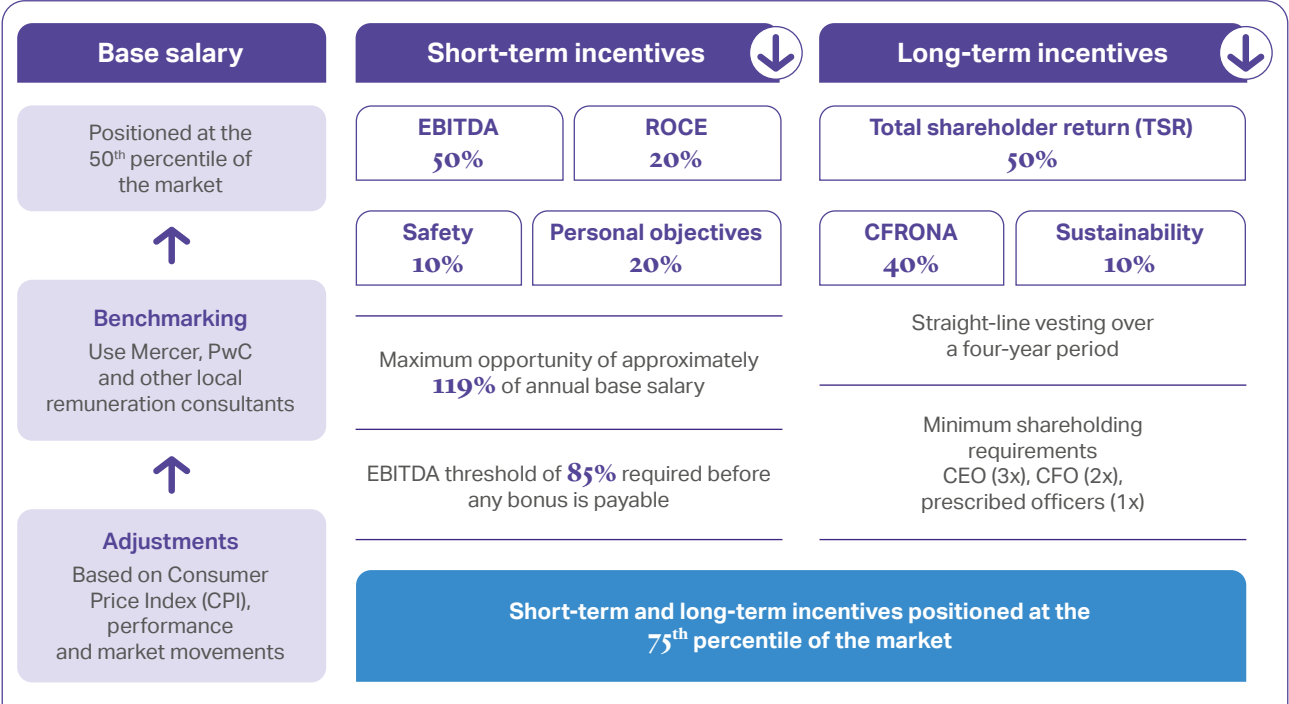
Finally, I would like to thank my fellow committee members for their exceptional help and support.

Mike Fallon

Chairman of the Human Resources and Compensation Committee

Remuneration report continued

Sappi remuneration at a glance from 01 October 2024



Sustainability as a performance measure is part of our LTIP. See page 189.

Summary of our executive remuneration policy and implementation report for 2024

Remuneration component	Executive Directors
Base salary	- Mr SR Binnie – Local South African salary increased by 6.5% and offshore salary increased by 4% - Mr GT Pearce – Local South African salary increased by 7.0% and offshore salary increased by 4% - In line with the increases applied to wider South African workforce.
Annual bonus (MIS)	- Maximum opportunity unchanged at 119% for the CEO and CFO of annual base pay - Resultant points of the 2024 performance measures: EBITDA (69.4), ROCE (30), safety (0).
Long-term variable pay (PSP)	Performance measures, TSR (100%) and CFRONA (100%).
Current voluntary minimum shareholding requirement	Mr SR Binnie (2.3 X annual base salary) and Mr GT Pearce (1.9 X annual base salary).